United Nations E/ICEF/2008/22

Economic and Social Council

Distr.: General
29 July 2008

Original: English

For discussion

United Nations Children's Fund
Executive Board
Second regular session 2008
15-18 September 2008
Item 11 of the provisional agenda*

Thematic funding as a financial instrument in support of the UNICEF medium-term strategic plan**

Summary

This report is a follow-up to the "Report on thematic funding in the context of the medium-term strategic plan", which was discussed at the first regular session of 2006, and is presented to the Executive Board for discussion and comment.

* E/ICEF/2008/16.
** Submission of this document was delayed because of the need for internal consultation.

08-44328 (E) 210808

I. Background

A. Thematic funding: the most efficient option for other resources contributions

1. Thematic funding, a financial instrument to improve funding modalities in UNICEF, was first introduced in 2002 during the period covered by the UNICEF medium-term strategic plan (MTSP) for 2002-2005. Thematic contributions are pooled donor funds categorized as "other resources" and applied by UNICEF to support the achievement of results in focus areas and humanitarian response. Thematic contributions are the best form of financial support to UNICEF, after regular resources, because they support the goals and objectives of the MTSP and allow for longer-term planning and sustainability. This paper describes the strategic value of thematic funding, analyses results achieved, and identifies lessons learned over the past years.

2. The MTSP for 2006-2009 (E/ICEF/2005/11) clearly defined five organizational focus areas in line with the Millennium Declaration and Millennium Development Goals:

(a) Young child survival and development;

(b) Basic education and gender equality;

(c) HIV/AIDS and children;

(d) Child protection from violence, exploitation and abuse;

(e) Policy advocacy and partnership for children's rights.

3. These five focus areas in turn defined the five thematic funding areas currently in use. In 2007, thematic funding for the five focus areas increased by 29 per cent over 2006 levels, from $162 million to $209 million. In that year, 15 per cent of total other resources funding was received by UNICEF as thematic funding. In the same year, $84 million was received in thematic funding for emergencies (humanitarian response). The steady total and proportional increase of thematic funds is an indicator of success, and efforts will be made to further increase these amounts.

B. How thematic funding works

4. Thematic contributions are received at the country, regional and global levels. At the country level, thematic funding from all donors is placed into one pooled fund for the country office to produce results in a focus area, for example focus area 3, HIV/AIDS and children. The funds are used for programming according to the country programme document approved by the Executive Board.

5. While most thematic funding is given at the country or global levels, regional thematic funding can be used strategically for multi-country projects on shared issues. For example, for the period 2005-2007, the region of Central and Eastern Europe and the Commonwealth of Independent States received thematic funds from the Government of Ireland for a regional response to the impact of HIV and AIDS on children and women.

6. Global thematic funds are pooled by focus area and periodically allocated by a high-level internal allocation committee coordinated by the Programme Group. The distribution of global thematic funds follows clearly defined regulations. Criteria for the allocation of global thematic funds in the five MTSP focus areas include the following:

(a) 'Scaling up' programmes with clear measurable objectives;

(b) Prioritizing country programmes that are seriously under-funded;

(c) Building capacity in programmes related to poverty reduction strategies, sector-wide approaches and participation in national development plans;

(d) Linkages to key indicators of organizational targets for each focus area;

(e) Programme management criteria.

7. UNICEF also receives thematic funds for humanitarian response. These funds are used to respond to appeals and fulfil the UNICEF Core Commitments for Children in Emergencies. These contributions afford UNICEF the flexibility to undertake the most strategic actions in an emergency situation. The donor has the option of giving humanitarian-response thematic funding at the country, regional and/or global level.

8. The availability of humanitarian thematic funds makes it possible for UNICEF to respond faster to an emergency situation than it would with other forms of funding, and to allocate resources to various "forgotten" humanitarian crises. The allocation of global thematic funds for humanitarian response is coordinated by the Office of Emergency Programmes. Allocations are made according to the following criteria:

(a) Needs assessments;

(b) Priorities identified in the appeal;

(c) Appeal amount/funded amount/funding gap.

9. Funds are disbursed to the UNICEF country offices after final approval by the Executive Director.

10. Since thematic contributions are received for already-approved country programmes and for the organization's regional and global targets, UNICEF does not need to prepare proposals for presentation to donors.

11. Thematic funding also facilitates reporting to donors: UNICEF prepares one consolidated report per focus area, which reflects progress made in that focus area over the previous year. For humanitarian response, the detailed information on the use of funding is provided by the country for which a Consolidated Appeal or Flash Appeal report has been issued. The financial section of reports shows expenditures on the one focus area at the global, regional or country level. The contribution of each donor is mentioned, but not specifically tracked. The administrative and financial management rules and processes related to thematic funding represent an important achievement towards a more coherent planning and implementation process.

C. The strategic importance of thematic funding

(a) *Thematic funding supports UNICEF to reach the goals and targets of the Millennium Development Goals.*

12. UNICEF highly values thematic contributions because they directly support the goals and objectives of the MTSP, which is aligned with the Millennium Declaration and Millennium Development Goals. At the country level, implementation of the MTSP is harmonized with national plans, goals and targets. Alignment with all these plans, goals and targets makes thematic contributions more sustainable, as they facilitate longer-term planning.

(b) *Thematic funding supports a more flexible response of UNICEF to the changing aid environment.*

13. Traditional other resources, which fund activities of UNICEF at the project level, have not necessarily supported the organization's response to the new demands emerging from the changing aid environment. Thematic funding, by contrast, allows UNICEF to receive contributions for programmes and priorities that generally have wider scope and longer duration. In this way, thematic funds enhance the stability and predictability of other resources contributions and reduce fragmentation of activities. UNICEF also has more flexibility to use thematic funds as needed within a programme area. The framework for thematic funding reflects the tenets of the Paris Declaration on Aid Effectiveness, as well as the principles of Good Humanitarian Donorship, such as country ownership, harmonization, alignment with partner countries' priorities, systems and procedures, and multi-year commitments.

(c) *Thematic funds support the strategic shift of UNICEF from a project approach to a programme approach.*

14. The introduction by UNICEF of the thematic funding framework and of results-based management has allowed the organization to further refine its strategic approaches. Thematic funding supports the strategic shift UNICEF is making from a project approach to a programme approach because this type of funding (a) allows UNICEF to prepare consolidated reports by focus area rather than to prepare donor proposals and expenditure reports for individual projects; (b) provides longer-term flexible funding; and (c) supports longer-term achievement of the goals and targets of the MTSP and related national and international goals. The broad scope of thematic contributions fits well with the programme approach. Thematic funding also allows UNICEF to strategically fill funding gaps when other funds are not available.

(d) *Thematic contributions are first-choice other resources for UNICEF.*

15. UNICEF has enormous strengths — in its staff, processes, knowledge and systems — largely because of its broad base of regular resources. Regular resources (RR) are what make it possible for UNICEF to respond quickly to changing priorities and emergencies, and at the same time to ensure a long-term planning perspective. In recent years, UNICEF has attracted growing levels of total funding, but mainly as a result of an increase in non-core, or other resources (OR), funding. Regular resources are at the core of the mandate of UNICEF because they directly

support the organization's extensive field presence and enable UNICEF to invest in intellectual capital and to build up key organizational knowledge. It is also through such flexible funding that UNICEF can maximize its shift from project to programme and its participation in United Nations coherence efforts in the field, such as joint programmes and funding mechanisms. Unfortunately, the proportion of regular resources to other resources given to UNICEF has gradually decreased — from 61 per cent (RR) to 39 per cent (OR) in 1997 to 37 per cent (RR) to 63 per cent (OR) in 2007.

16. Thematic funding offers an alternative mechanism for supporting MTSP programmatic priorities. Of all other resources funding, thematic contributions are the most attractive and of the highest quality because of their long-term nature and flexibility. In 2007, UNICEF received 15 per cent of total other resources funding as thematic funding. The steady total and proportional increase of thematic funds in relation to other resources funds has been an indicator of success. It is a UNICEF organizational priority to increase the total amount of thematic funding along with its proportion among other resources. Given the importance of having core resources, as noted above, the organization's main priority is to increase contributions to regular resources, raising their proportion of the total. Thematic funding is, however, a very high priority.

(e) *Thematic funding reduces transaction costs.*

17. The reduction in transaction costs for all parties involved has been one of the main benefits of thematic funding. The recovery policy adopted by the Executive Board in 2003 and 2006 (decisions 2003/9 and 2006/7) reconfirmed the lower transaction costs by reducing the recovery level for thematic contributions, from the previous 7 per cent to 5 per cent.

18. Thematic contributions diminish costs in the following ways:

(i) Donor proposals are not required for these funds because the MTSP and country programme documents already specify what UNICEF intends to undertake in the focus area.

(ii) One consolidated report for donors is required per focus area. This frees country offices from spending time and resources on producing additional reports for each donor.

(iii) The extended duration of thematic contributions facilitates staff retention over a longer period, thereby reducing staff recruitment and training costs. With thematic funds, UNICEF can attract and retain high-quality staff by providing a greater measure of job security.

(iv) Flexibility in the allocation of and time span for contributions allows UNICEF and donors to avoid spending additional time and resources that would be required on modifying agreements and on preparing complex expenditure reports. As noted in the 2007 Annual Report of the Executive Director to the Executive Board (E/ICEF/2007/9), the percentage of total UNICEF expenditures on administrative costs is decreasing and more money is being spent on programme implementation in the field. Thematic funding is contributing to this trend of reducing overhead and improving operational effectiveness.

(f) *Thematic funding improves the accountability of UNICEF.*

19. Thematic contributions support the efforts of UNICEF to enhance accountability and transparency, results-based management, and the effectiveness, efficiency and coherence of operations. The current MTSP includes measurable outcomes that provide strategic direction to country offices and key performance indicators across a series of financial, operational and human resource outputs. Since baseline data and indicators exist for each focus area, funding by focus area makes it more possible to measure progress toward goals and key results. The information obtained also supports the shift the organization is making towards working upstream and serving as a knowledge broker and advocate for children. By supporting all these efforts, thematic funds will continue to be of fundamental importance to the work of UNICEF in promoting the rights of children worldwide.

II. Financial support and trends

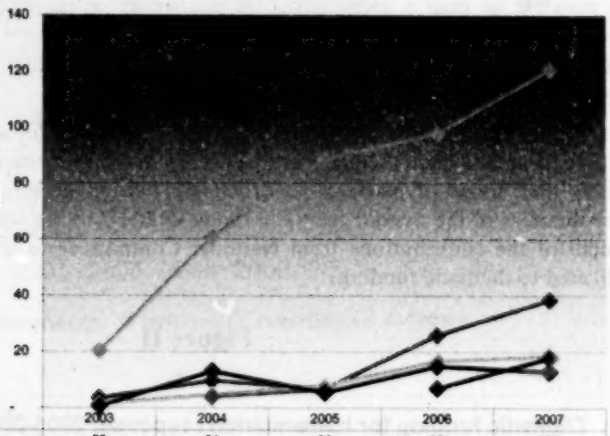
20. Since 2003, when the first thematic funds were received, UNICEF has taken in $604 million for programme focus areas, and $774 million in humanitarian thematic funds. In 2007, thematic funding for the five focus areas increased by 29 per cent over 2006 levels, from $162 million to $209 million. A total of 17 Governments and 28 National Committees for UNICEF have provided thematic funding for the five MTSP focus areas and the humanitarian thematic pool. The public sector contributed 76 per cent of the overall thematic funds in 2007, and National Committees played a crucial role by contributing sizeable amounts to focus area 1, young child survival and development, and focus area 3, HIV/AIDS and children. One of the key performance indicators for the MTSP is the proportion of thematic funding in total other resources funding. The target for 2009, 15 per cent, was already reached in 2007. For the category of "other resources — emergency", this proportion was 16 per cent.

21. The first thematic contribution was received from the Government of Finland in 2003 and has been followed by significant large contributions by the Governments of the Netherlands, Norway, Spain, and Sweden, among others, and by many smaller contributions from a variety of donors, including UNICEF National Committees. Sixty-seven programme countries now benefit from thematic funds that are global and/or country-specific.

22. Figure I provides an overview of thematic funding received for the five focus areas during the five-year period from 2003 to 2007. This breakdown clearly indicates that focus area 2, basic education and gender equality, has received most of the thematic funds, totalling $389 million. In 2007 alone, this focus area received $121 million.

Figure I

Thematic funding by focus area, 2003-2007



	2003	2004	2005	2006	2007
Basic education and gender equality	20	61	89	98	121
Child protection from violence, exploitation and abuse	3.4	9.6	6.8	25.7	38.3
HIV/AIDS and children	1.5	4.7	8.0	16.7	18.4
Integrated early childhood development		3.8	6.5		
Policy advocacy and partnership for children's rights				6.9	17.7
Young child survival and development	1	13	5	15	13

23. Policy advocacy and partnerships for children's rights, which became a focus area of the 2006-2009 MTSP, received $18 million in 2007, up from $7 million in 2006. This increase shows the willingness of the donor community to support the work of UNICEF in policy advocacy and upstream work.

24. Funding for child protection has increased steadily since 2005, reaching $38.3 million in 2007 and $83.8 million in total. Focus area 3, HIV/AIDS and children, has experienced a slow but steady increase over the years, reaching $18.5 million in 2007. Funding for young child survival and development has passed through an atypical process, varying from $13 million in 2004, to $5 million in 2005 and to $15 million in 2006. This is especially notable, as the focus area is the largest programme component of UNICEF, accounting for more than 50 per cent of total programme expenditure.

25. Young child survival and development is a thematic funding category that now combines the two priority areas of integrated early childhood development and immunization-plus from the MTSP for 2002-2005. As part of the life-cycle approach, focus area 1 strengthens the emphasis of UNICEF on very young children and their mothers. UNICEF support in this category includes essential health, nutrition, water and sanitation programmes as well as young child and maternal care

at the family, community, facility and policy levels, and is directly linked to Millennium Development Goals 1, 4, 5, 6 and 7. This focus area has a broad programmatic base, which might make it more challenging for donors to give thematic funding in this category.

26. Figure II, indicating trends in funding for humanitarian response, shows that in 2005, following the 2004 Indian Ocean earthquake and tsunami, contributions from National Committees and Governments were exceptionally high, reaching almost $500 million. Since then, however, humanitarian contributions have declined. It is not possible to map a clear trend for the future in humanitarian thematic funds because of their unpredictable nature linked to crises. Figure II also shows that the contribution from National Committees has been an important part of thematic funding.

27. Figure III indicates that thematic funding for "non-humanitarian" interventions is increasing and that thematic contributions from Governments have risen more steeply than those of National Committees. The governmental sector contributed three quarters of the overall thematic funds in 2007; at the same time, an increasing amount of the contributions from National Committees to other resources (OR) is dedicated to thematic funding.

Figure II

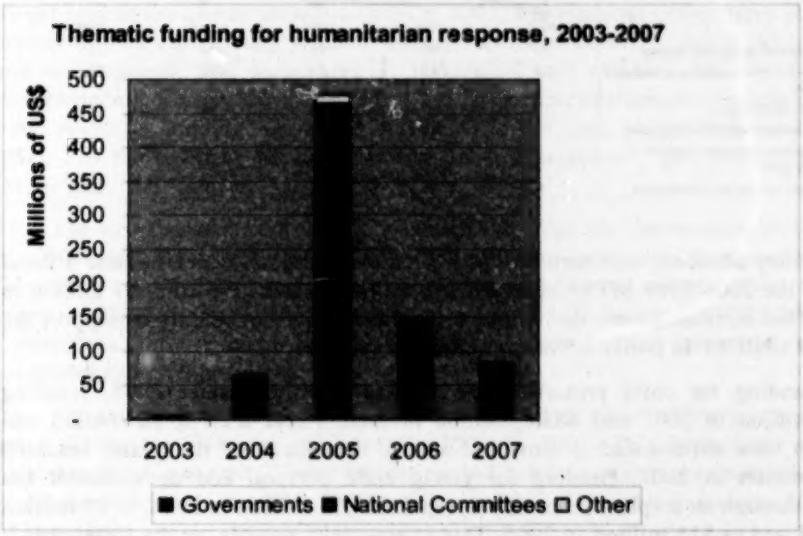
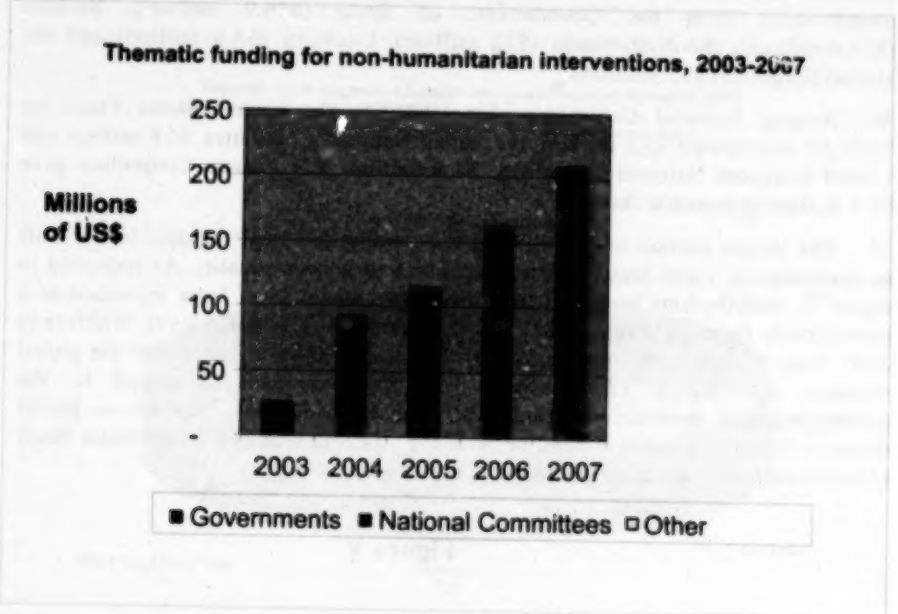
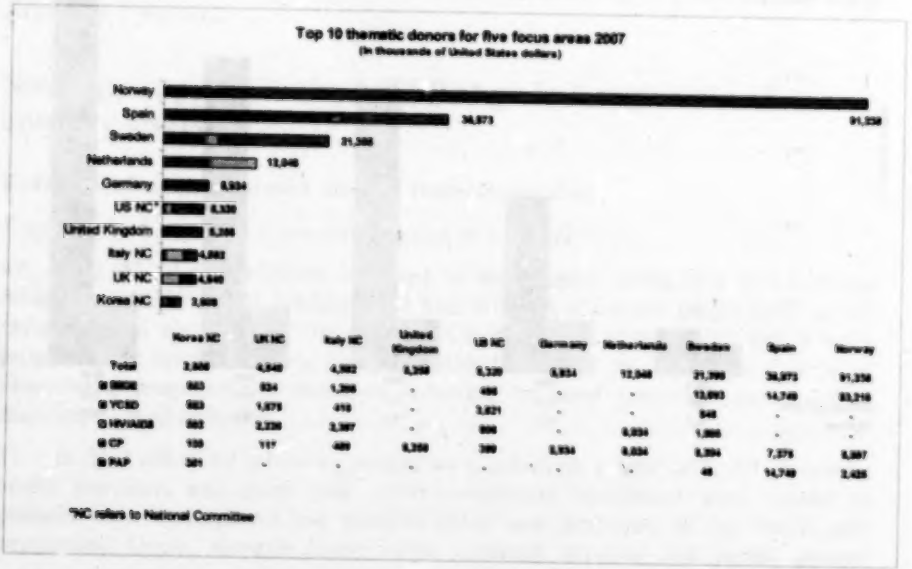


Figure III



28. Figure IV lists the top 10 thematic donors in 2007, the five largest of which are Governments.

Figure IV



29. In 2007, the largest thematic Government contribution, $91.2 million, came from the Government of Norway. This was followed, in descending order, by the contributions from the Governments of Spain ($36.9 million), Sweden ($21.4 million), the Netherlands ($12 million), Germany ($5.9 million) and the United Kingdom ($5.3 million).

30. Among National Committees for UNICEF, the United States Fund for UNICEF contributed $5.3 million, the Italian National Committee $4.6 million and United Kingdom National Committee $4.5 million. The Korean Committee gave $2.6 million in thematic funding.

31. The largest portion of overall thematic funding (country, regional and global) is channelled to focus area 2, basic education and gender equality. As indicated in figure V, contributions to this focus area at the global level have increased at a considerably faster pace than contributions at the country/regional level. Whereas in 2003, both types of funds were at nearly the same level, four years later the global thematic contribution had reached a fourfold increase compared to the country/regional thematic contributions. UNICEF sees this increase in global thematic funds as a positive trend because the strategic value of the thematic funds is increased if they are contributed at the global level.

Figure V

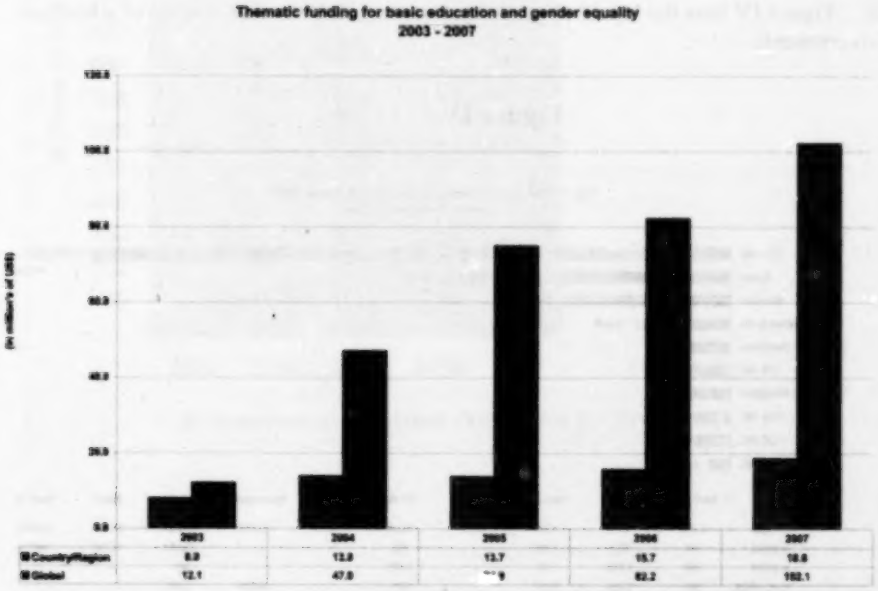
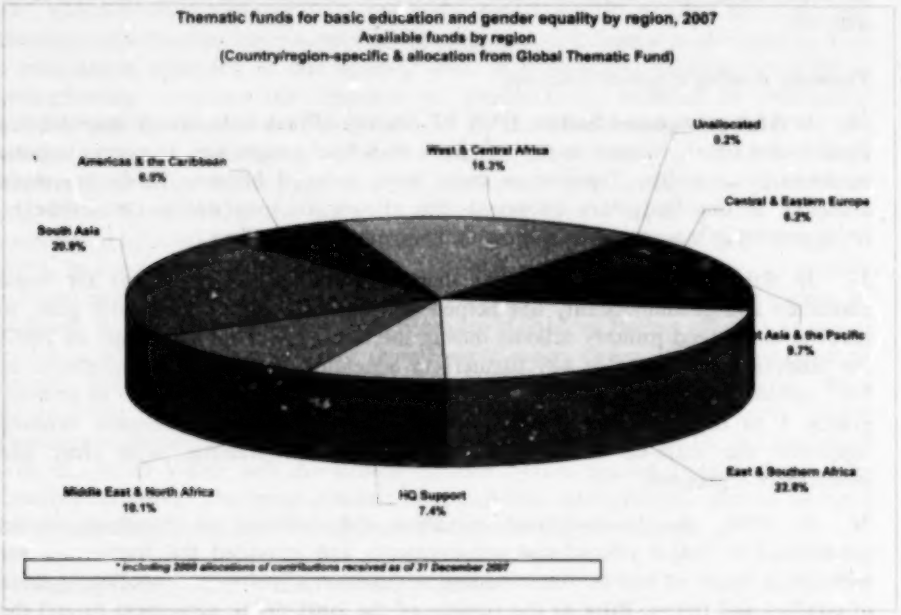


Figure VI



Global thematic funds are allocated by UNICEF to regions and countries according to the aforementioned allocation criteria. Figure VI shows that in 2007 all regions benefited from thematic funds: sub-Saharan Africa received 39 per cent; Asia and the Pacific 30.6 per cent; the Middle East and North Africa 10.1 percent; and Latin America 6.5 per cent.

III. Strategic support to the MTSP at global, regional and country levels

Examples of results achieved through thematic funding

(a) *Thematic funding makes it possible to adapt to local priorities.*

32. In 2007, thematic funds allocated to **Sri Lanka** ($908,687) provided the flexibility needed to fill funding gaps and carryout a holistic programme for all child survival activities in the country. Child and maternal health has a wide programmatic scope; thematic funding enabled UNICEF to respond to a range of interrelated programmatic demands, adapting to local priorities and reducing fragmentation of activities.

33. In Sri Lanka, the following results were achieved: a total of 1,560 peripheral health providers and more than 1,006 community facilitators were trained to promote safe motherhood and positive child care practices, at the family and community levels, through home visits, outreach services and parent groups;

support was given to the Ministry of Healthcare and Nutrition through the procurement of 313,000,000 vitamin A capsules, 5.1 million iron folate supplements, 5.7 million vitamin C tablets and 8 million de-worming medications for 2 million children, 2.8 million adolescents, and 200,000 pregnant women; and an advocacy campaign was put in place to promote maternal and child nutrition in 25 districts.

(b) *Thematic funding supports scale-up.*

34. In **Afghanistan** and **Sudan**, UNICEF country offices were able to respond in a flexible and timely manner to support Back-to-School campaigns, as access became increasingly a reality. Transaction costs were reduced because funds are made available in one budgetary allotment that allows for longer-term commitments, fewer reporting requirements, and assured and adequate staffing.

35. In Afghanistan, the substantial thematic funding ($47 million) for basic education and gender equality has helped millions of children, especially girls, to enrol in and attend primary schools during the Back-to-School campaign. In 2007, the funding contribution of key partners in education facilitated the enrolment of 5.67 million children in grades 1 to 12. Of the 4.67 million children in primary grades 1 to 6, more than 330,000 were new girl students. Thematic funding supported the scale-up of the national education programme, with clear and measurable objectives.

36. In 2006, the Go-to-School initiative ($8 million) in Southern Sudan contributed to major educational achievements and provided the framework for addressing issues of access, retention and completion of primary schooling in areas of conflict and return. Prior to the signing of the 2005 peace agreement to end the civil war in Southern Sudan, it was estimated that only 1 child in 5 was in school, while barely 1 girl in every 100 completed a full course of primary schooling. The signing of the peace agreement, together with high-level commitment to education and the availability of thematic funding at the launch of the Go-to-School initiative in early 2006, helped to double enrolment in a single year.

(c) *Thematic funding encourages strategic investment.*

37. Thematic funds have also provided flexibility for scale-up and leveraging of additional funds in a number of countries. In **Uganda**, when the Global Fund to Fight AIDS, Tuberculosis and Malaria launched its call for Round 8 proposals, UNICEF used thematic funding to support the Government of Uganda in submitting its application. UNICEF recruited temporary technical support to join a national proposal-writing team and ensure that children's issues figured prominently and that care for orphans and vulnerable children, as well as paediatric treatment and prevention, formed part of the overall proposal. If the application proves successful, this relatively small investment will result in a significant increase in funding, leveraging up to $50 million for children and AIDS in Uganda over the next five years.

38. In **Kenya**, a relatively small investment of thematic funding has set the stage for a remarkable outcome. Thanks to available thematic funds, the Kenya cash transfer programme, which began in 2005 with only 500 families, will now reach more than 50,000 households by December 2008. Widely recognized as a leading

example of its kind, the programme is now primarily funded by the Government of Kenya.

(d) *Thematic funding helps to build capacity in new programmes.*

39. Gender-based violence is a relatively new UNICEF programme area, and thematic contributions have supported the strategic shift from a project approach to a programme approach in this specific area. With thematic funding, UNICEF is strengthening programmatic response to gender-based violence in emergency settings and in development programmes. In the **Democratic Republic of the Congo**, projects addressing sexual violence prioritized by UNICEF were implemented in the eastern provinces of Maniema and Orientale, as well as North and South Kivu, where the majority of reported sexual assaults were allegedly perpetrated by soldiers of the armed forces of the Democratic Republic of Congo. In 2007, in cooperation with its partners, UNICEF used thematic funding to provide relevant care to 16,977 survivors of sexual violence, 25 per cent of them children. In addition, 9,226 NGO staff and volunteers were trained on themes relating to sexual violence, and more than 600,000 people were made aware of the issue through forums, debates, street theatre, posters and comic books. A major campaign, 'Stop Raping Our Most Precious Resource: Power to the Women and Girls of the Democratic Republic of Congo', was launched in November 2007, in association with the NGO V-Day and the United Nations Action against Sexual Violence in Conflict initiative. The programmatic approach was strengthened, and all partners involved gained experience in responding to gender-based violence.

(e) *Thematic funding finances innovative approaches.*

40. Thematic funding enables country and regional offices to try cutting-edge approaches and to pursue innovative work. The following three examples from Kazakhstan and Brazil show the shift the organization is making towards an upstream focus in ground-breaking initiatives.

41. In **Kazakhstan**, a UNICEF-sponsored high-level conference sensitized key decision makers about the impact of public expenditures on children, resulting in the inclusion of child-friendly budget principles in the 2007 Declaration of Parliamentarians on Family Policy. The awareness-raising through the conference also led to the adoption of a government results-based management strategy to increase public spending in the health sector to 4 per cent of gross domestic product in 2008.

42. In **Brazil**, thematic funding supports the expansion of the Municipal Seal of Approval initiative, under which participating municipalities commit to achieving targeted results for children in the areas of health, education and protection. This enables municipalities to adopt a more effective policy management and implement public policies and programmes that include the participation of communities, children and adolescents.

(f) *With thematic funding, UNICEF can react faster, spend over a longer period of time and give priority to underfunded programmes.*

43. Flexible funding enhances responsiveness to emerging and unpredictable situations, allowing UNICEF to act quickly and more effectively in crises. UNICEF

is currently responding to emergencies that are chronically underfunded in **Afghanistan, Côte d'Ivoire, Ethiopia, Haiti, Kenya and Kosovo**.

44. Programme priorities need to be flexible and revisable, to better adapt to the changing needs encountered in emergencies. For example, when five strong typhoons struck the **Philippines** in a span of 10 weeks in late 2006, the allocation from the global thematic funds enabled provision of education and childcare supplies for affected children. UNICEF also used a combination of global humanitarian thematic funds, the Central Emergency Response Fund and funds from the Australian Agency for International Development to provide basic household items for nearly 40,000 families in severely affected communities.

45. It is critical that long-term commitments to funding for early recovery are made at the beginning of a crisis, to minimize the gap between emergency response and recovery. For example, thematic funds for the **2004 Indian Ocean earthquake and tsunami** are committed over a five-year period. This has allowed countries to engage in longer-term planning for rebuilding, for addressing pre-existing issues among vulnerable populations, and for reaching host communities or affected populations indirectly affected by the disaster.

C. Challenges and improvements: lessons learned

Enhance knowledge-sharing.

46. At the country level, UNICEF has a strong knowledge base on thematic funding that draws from more than five years of implementation experience. Documentation and future evaluations need to better showcase this information and experience for the benefit of staff and external partners, including public and private donors. Previous documentation on the subject has not been produced in an easily accessible format or circulated widely enough. Since thematic funding is a relatively new area for UNICEF, key to improving its effectiveness is enhancing knowledge sharing among UNICEF headquarters and regional and country offices on how to use this innovative funding modality to optimize results for children. The information should cover the entire process: resource mobilization; allocation of funds; financial administration; expenditure; implementation; and reporting.

Improve the use of thematic funding through further investment in results-based management.

47. The current MTSP includes measurable outcomes that provide strategic direction to country offices and key performance indicators that track the performance of UNICEF against the achievement of the Millennium Development Goals. Thematic funding reinforces this results-based approach by shifting the focus from inputs and outputs to outcomes and sustainable results for children.

Improve analytical results-based reporting.

48. UNICEF is accountable for reporting on the use of thematic funds in the pursuit of agreed results for children. High-quality reporting is essential for all actors: Governments; implementation partners, including United Nations agencies; National Committees for UNICEF; and other donors. Producing timely analytical reports on achievement of MTSP focus area targets is one of the most important

ways for UNICEF to illustrate programmatic impact and progress in achieving the Millennium Development Goals. UNICEF is committed to progressively improving the reporting systems on the thematic funding allocations. The new systems UNICEF uses to generate information will strengthen thematic donor reports and UNICEF accountability for results. The organizational improvement initiatives introduced in late 2007 will further advance results-based reporting by improving and consolidating tools, oversight mechanisms and key indicators for assessing efficiency and results.